Case 5:07-cv-06364-RMW Document 1 Filed 12/17/2007 Page 1 of 32

U.S. Bankruptcy Appellate Panel of the Ninth Circuit

125 South Grand Avenue, Pasadena, California 91105 Appeals from Central California (626) 229-7220 Appeals from all other Districts (626) 229-7225

FILED

In Re: STEPHEN J.R. GOETZ and DIANA GOETZ

06-5197

DEC 1 7 2007

BAP No.: NC-07-1418

RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

Adversary No(s).:

Bankruptcy No(s).: 05-57623-MM

TCV 07

6364

RMW

NOTICE OF TRANSFER OF APPEAL TO DISTRICT COURT

A party to the appeal has timely filed an objection to the disposition of this matter by the Bankruptcy Appellate Panel. See 28 USC Section 158. Consequently, this appeal is herewith transferred to _____SAN FRANCISCO DISTRICT COURT_____.

Please acknowledge receipt of the case file listed above by signing and returning a copy of this transmittal form.

Harold S. Marenus, BAP Clerk

By: Edwina Clay Deputy Clerk

Date: December 10, 2007

Please	acknow.	ledge re	eceipt	of
the cas	e file	listed	above.	
Dated:				
_				

Signed:

District Court Deputy

Assigned District Court No.

cc: Bankruptcy Court All Parties NITED STATES BANKRUPTCY COUNTERN DISTRICT OF CALIFORNIA OFFICE OF THE CLERK

280 South First Street, Room 3035 San Jose, CA 95113-3099 FILED

RMW0 0 6 2007

CY OF TRANSMITTAL FORM

CLERK
San Jose; California

BAP# NC-07-1418

TO: Bankruptcy Appellate Panel of the Ninth Circuit, 125 S. Grand Avenue, Pasadena, CA, 91105

FILED

CASE NAME:

Stephen J.R. Goetz and Diana Goetz

DEC 1 7 2007

BANKRUPTCY NO.:

05-57623-MM

John Challas v. Steven Goetz

RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DET STEE DIVOELIFORNIA

NOV - 8 2007

ADVERSARY NO.:

06-5197

FILED ____

BANKRUPTCY JUDGE:

ADVERSARY PROCEEDING:

Morgan

DATE NOTICE OF APPEAL FILED:

11/1/07

DATE OF ENTRY OF ISSUE:

10/22/07

DATE BANKRUPTCY FILED:

10/12/05

NOTICE OF OBJECTION FILED:

DATE OF TRANSMITTAL:

11/6/07

PLEASE STAMP YOUR CASE NUMBER on a copy of this transmittal form and return the copy to the bankruptcy court.

BROOK ESPARZA

Deputy Clerk

Case 5:07-cv-06364-RMW Document 1 Filed 12/17/2007 Page 3 of 32

> U.S. BANKRUPTCY COURT NORTHERN DISTRICT OF CALIFORNIA

In re Stephen J.R. Goetz an	đ	Case No. 05-5762	3-MM FILED
Diana Goetz	Debtor(s)_/	Adversary No. 06	CLERK
John Challas	Plaintiff(s)	Chapter 11	United States Bankruptcy Gou San Jose; California
v. Steven Goetz	CV	07	6364
	Defendant(s)/		RMW

NOTICE OF REFERRAL OF APPEAL TO BANKRUPTCY APPELLATE PANEL

TO ALL PARTIES:

YOU AND EACH OF YOU are hereby notified that a notice of appeal has been filed by Stephen Goetz with the Clerk of the Bankruptcy Court. By virtue of the orders of the Judicial Council of the Ninth Circuit and the District Court for this district, the above appeal has been referred to the United States Bankruptcy Appellate Panel of the Ninth Circuit (BAP).

GLORIA L. FRANKLIN, Clerk Dated: November 6, 2007

> **BROOK ESPARZA** Deputy Clerk

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Dated: November 6, 2007

Brook Esparza, Deputy Clerk

by placing a true copy thereof in the United States mail at San Jose, California, postage prepaid, addressed as follows:

Daniel D. McGee, esq. Ellis, Coleman, Poirer 555 University Avenue, Suite 200 East Sacramento, CA 95825

George P. Eshoo, esq. Law Offices of George P. Eshoo 702 Marshall Street, Suite 500 Redwood City, CA 94063

I declare under the penalty of perjury that the foregoing is true and correct, and that this declaration was executed on November 1, 2007, at San Jose, California.

/s/Stanley Zlotoff

Stephen Goetz 13725 Robleda Road Los Altos, CA 94022 Telephone: (650) 941-6000 In Pro Per

And Diana Goetz,

John Challas,

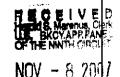
Debtors.

Plaintiff,

Defendants. /

Steven Goetz, et.al.,

UNITED STATES BANKRUPTCY COURT NORTHERN DISTRICT OF CALIFORNIA



FILED ____

DOCKETED

7 In re: Stephen J.R. Goetz

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Chapter 11

Case No.: 05-57623 MM

BAP# NC-07-1418

Adv. Pro. No:06-5197

NOTICE OF APPEAL

Debtor-Defendant Stephen Goetz hereby appeals from the Order determining non-dischargeability of Plaintiff's cause of action for slander, which Order was entered on the Court's docket on October 22, 2007.

The names of all parties to the Order and the names, addresses and telephone numbers of their respective attorneys are as follows:

Stephen Goetz 1 13725 Robleda Rd. 2 Los Altos, CA 94022 (650) 941-6000 Debtor-Defendant/Appellant In Pro Per 3 4 John Challas George P. Eshoo, esq. Plaintiff/Appellee Law Offices of Eshoo & Assoc. 5 702 Marshall Street #500 Redwood City, CA 94063 6 (650) 364-70307 Daniel D. McGee, esq. Mark E. Ellis 8 Wendy D. Vierra, esq. Ellis, Coleman, Poirer & La Voie 9 555 University Avenue #200 # Sacramento, CA 95825 10 (916) 283-8820 11 12 Dated: November 1, 2007 13 14 /s/Stephen Goetz 15 16 17 18 19 20 21 22 23 24 25

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BAP hearing and determining Defendant Stephen Goetz's appeal of the order determining the non-

transferred to the United States District Court for the Northern District of California.

dischargeability of Mr. Challas's cause of action for slander, which order was entered on the

Bankruptcy Court's docket on October 22, 2007. Mr Challas further requests that said appeal be

Dated: November 20, 2007

ELLIS, COLEMAN, POIRIER, LAVOIE, & STEINHEIMER LLP

DANIEL D. McGEÉ

Co-Counsel for Plaintiff JOHN CHALLAS

CERTIFICATE OF SERVICE

I. Alexandria M. Felix, declare:

I am a citizen of the United States, am over the age of eighteen years, and am not a party to or interested in the within entitled cause. My business address is 555 University Avenue, Suite 200 East, Sacramento, CA 95825.

On November 20, 2007, I served the following document(s) on the parties in the within action:

PLAINTIFF JOHN CHALLAS'S OBJECTION TO APPEAL BEING HEARD AND DETERMINED BY BANKRUPTCY APPELLATE PANEL

	The above-described document(s) will be enclosed in a sealed envelope, with first class postage thereon fully prepaid, and deposited with the United States Postal Service at Sacramento, CA on this date, addressed as follows:
	BY HAND: The above-described document(s) will be placed in a sealed envelope which will be hand-delivered on this same date by
	VIA FACSIMILE: The above-described document(s) was transmitted via facsimile from the fax number shown on the attached facsimile report, at the time shown on the attached facsimile report, and the attached facsimile report reported no error in transmission and was properly issued from the transmitting facsimile machine, and a copy of same was mailed, on this same date to the following:
	VIA OVERNIGHT SERVICE: The above-described document(s) will be delivered by overnight service, to the following:
14 1 -	n Goetz In Pro Per

13725 Robleda Road Los Altos, CA 94022

George P. Eshoo, Esq. Law Offices of George P. Eshoo et al.

702 Marshall Street, Suite 500

Redwood City, CA 94063

Clerk of The Bankruptcy Appellate Panel 125 South Grand Avenue

23 Pasadena, CA 91105

I declare under penalty of perjury under the laws of the State of California that the foregoing is

Co-Counsel for John Challas

a true and correct statement and that this Certificate was executed on November 20, 2007.

Alexandria M. Felix

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PLAINTIFF JOHN CHALLAS'S OBJECTION TO APPEAL BEING HEARD AND DETERMINED BY BANKRUPTCY APPELLATE PANEL

ELLIS, COLEMAN POIRIER, LA VOIE & STEINHEIMER, LLP

555 UNIVERSITY AVENUE, SUITE 200 EAST SACRAMENTO, CA 95825
TEL: (916) 283-8820 FAX: (916) 283-8821
e-mail: afelix@ecplslaw.com

RECEIVED Harold S. Marshus, Clerk U.S. BKCV APP, PANEL OF THE NINTH CIRCUIT

November 20, 2007

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INITIAL

VIA OVERNIGHT MAIL

Clerk of the Coart U.S. Bankruptcy Court Northern District of California 280 South First Street, Room 3035 San Jose, CA 95113

KIVIW

FILED.

DOCKETED

RE:

CHALLAS v. GOETZ

Adversary Proceeding No. 06-5197 Bankruptcy Case No. 05-57623 BAP No. NC-07-1418

Dear Clerk:

Please find enclosed an Original Objection to Appeal being Heard and Determined by Bankruptcy Appellate Panel, as well as 3 copies of the same. Please file the original, and return 2 endorsed copies in the also enclosed self addressed stamped envelope.

If you have any questions in this regard, please feel free to contact our office.

Very truly yours,

Alexandria M. Felix, Legal Assistant

For Daniel D. McGee, Esq.

FILE COPY
Case 5:07-cv-06364-RMW Document 1 Filed 12/17/2007 Page 12 of 32

U.S. Bankruptcy Appellate Panel of the Ninth Circuit

125 South Grand Avenue, Pasadena, California 91105 Appeals from Central California (626) 229-7220 Appeals from all other Districts (626) 229-7225

RE: STEPHEN J.R. GOETZ and DIANA GOETZ

Appellant: Stephen J.R. Goetz

BAP No: NC-07-1418

BK. NO: 05-57623-MM ADV. No(s): 06-5197

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RMW

OPENING LETTER

Notice of Appeal in this case has been received by the Bankruptcy Appellate Panel (BAP) and assigned the case number above. All papers filed with the BAP should be in the form of an original and three copies.

The BAP docket and other court information is available through the National PACER system. http://pacer.bap09.uscourts.gov

Enclosed are the 9th Cir. BAP Rules governing practice before the BAP. Appeals are also governed by Parts VIII and IX of the Federal Rules of Bankruptcy Procedure (F.R.B.P.), and some parts of the Federal Rules of Appellate Procedure (F.R.A.P.) and the local rules of the Ninth Circuit (Circuit Rules). See 9th Cir. BAP Rule 8018(b)-1.

Pursuant to 9th Cir. BAP Rule 8001(a)-1, please immediately send the BAP Clerk a copy of the signed and entered order or judgment being appealed if it was not attached to your notice of appeal.

After a Notice of Appeal has been filed, the parties' next step in prosecuting this appeal is compliance with F.R.B.P. 8006 and 8007, which require Appellant to file within 10 days in the bankruptcy court a designation of record, statement of issues on appeal, and a notice regarding the ordering of transcripts. Under these rules Appellee may also file a supplemental designation of record and order transcripts. The party ordering the transcripts must make satisfactory arrangements for payment of their costs.

Even if transcripts are not ordered, Appellant is required to file with the bankruptcy court a notice stating that none are required. See also 9th Cir. BAP R. 8006-1.

The parties should note that the designation of record under F.R.B.P. 8006 is a necessary procedural step in prosecuting an appeal and the parties may not later include in their excerpts of the record documents which have not been designated.

The record and bankruptcy file remain with the Clerk of the bankruptcy court and the Panel reviews only those items which are reproduced and included in the excerpts of the record filed at the time of the briefs. While the Panel may call up the formal record, in practice this rarely occurs.

Further, it is the parties' responsibility to monitor the appeal to ensure that transcripts are timely filed and the record is completed in a timely manner. Under F.R.B.P. 8007(a), the court reporter is required to file transcripts within 30 days of receipt of the parties' request, unless an extension has been granted.

After the record is complete, the Clerk of the bankruptcy court will send a Certificate of Record, sometimes referred to as a Certificate of Readiness or Certificate of Transcripts, to the BAP Clerk. This triggers the issuance of the briefing schedule by the BAP Clerk. The briefing schedule contains time deadlines and instructions regarding filing of briefs. However, the parties should be aware that the time periods set forth in the briefing schedule are relatively short and extensions of time greater than 15 days are generally granted only based on a showing of good cause. See F.R.B.P. 8009 and 9th Cir. BAP R. 8009(a)-1.

Appeals are set for hearing in the bankruptcy district from which the appeal arose whenever feasible. To expedite the appeal or if the parties feel argument is unnecessary, they may file a stipulation or motion to submit their appeal on the briefs and record, thereby waiving oral argument. The Panel will also consider stipulations requesting an alternative hearing location or hearing by telephone conference. Such motions should be filed at the earliest possible date, generally with the opening brief, as once a case has been scheduled for argument, continuance and request to change time and place are rarely granted.

CERTIFICATE OF MAILING

The undersigned, deputy clerk of the U.S. Bankruptcy Appellate Panel of the Ninth Circuit, hereby certifies that a copy of the document on which this certificate appears was transmitted this date to all parties of record to this appeal.

By: Edwina Clay

Deputy Clerk: November 13, 2007

Case 5:07-cv-06364-RMW F I L E C O P Y Document 1 Filed 12/17/2007 Page 14 of 32

U. Bankruptcy Appellate Pane of the Ninth Circuit

125 South Grand Avenue, Pasadena, California 91105 Appeals from Central California (626) 229-7220 Appeals from all other Districts (626) 229-7225

TO: Clerk, Bankruptcy Court, San Jose (Attn: Brook)

DEBTOR(S): STEPHEN J.R. GOETZ and DIANA GOETZ

BAP NO.: NC-07-1418

BK. NO.: 05-57623-MM ADV. NO.: 06-5197

INTERNAL BK. CT. NO.:

The Bankruptcy Appellate Panel has received and docketed the notice of appeal. The BAP case number is indicated above for your information.

If completion of the record has been delayed, please advise us as to the cause of the delay by completing the following checklist and sending a copy of this letter back to us:

IF THE RECORD ON APPEAL IS COMPLETE, PLEASE SEND THE CERTIFICATE OF READINESS

Harold S. Marenus, BAP Clerk

By: Edwina Clay Deputy Clerk

Date: November 13, 2007

7. \	REASONS WHY THE RECORD HAS NOT BEEN COMPLETED. THE FOLLOWING
A)	ITEMS HAVE NOT BEEN FILED:
	Ne Filing Food poid
	1. No Filing Fees paid
	2. No Designation of Record
	3. No Statement of Issues
	4No Notice Regarding the Transcript
	5. No Reporter's Transcript(s)
	Reporter name:
	phone:
	Judge:
	Transcript date(s):
	6No Transcript Fees paid
	7. Extension of Time Granted to Reporter:
	New deadline:
	8. Other:
B)	DEPUTY CLERK PROCESSING THIS APPEAL
	1. Name:
	2. Phone:
	3. Date:

Proceedings include all events. 07-1418 Goetz, et al v. Challas

In re: STEPHEN J.R. GOETZ

Debtor

In re: DIANA GOETZ

Debtor

STEPHEN J.R. GOETZ Appellant Stephen J.R. Goetz 650/941-6000 [COR LD NTC prs] 13725 Robleda Road Los Altos, CA 94022

v.

JOHN CHALLAS Appellee George P. Eshoo, Esq. 415/364-7030 [COR LD NTC ret] GEORGE P. ESHOO & ASSOCIATES 702 Marshall Street Suite 500 Redwood City, CA 94063

Daniel D. McGee, Esq. 916/283-8820
Suite 200 E
[COR LD NTC ret]
ELLIS, COLEMAN, POIRER & LAVOIE 555 University Avenue Sacramento, CA 95825

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UNITED STATES BANKRUPTCY COURT

For The Northern District Of California

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NOT INTENDED FOR **PUBLICATION**

The following constitutes the order of the court. Signed October 19, 2007

> ∙Marilyn Morgán U.S. Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

Chapter 11

Case No. 05-57623-MM

RMW

JOHN CHALLAS,

Plaintiff,

Debtors.

In re STEPHEN J.R. GOETZ and DIANA

vs.

GOETZ,

STEVEN GOETZ and Does 1 through 20 inclusive,

Defendants.

Adversary No. 06-5197

MEMORANDUM DECISION FOLLOWING EVIDENTIARY HEARING

INTRODUCTION

John Challas alleges that the debtor, Stephen Goetz, slanderously told other people that Challas had admitted to a variety of criminal conduct, including breaking and entering, burglary and theft. Goetz moved to dismiss the complaint asserting that Challas knew or should have known of any claim for slander prior to the confirmation of Goetz's plan of reorganization, and as a result, the claim was discharged when Goetz's plan of reorganization was confirmed. Because the parties' motion papers relied on declarations and other evidence, the court treated the motion as a motion for summary judgment. After two contradictory affidavits created a clear question of fact, the parties agreed to hold

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an evidentiary hearing solely with respect to the potentially dispositive issue of when the cause of action for slander against Goetz was first within Challas' fair contemplation. Based on the evidence adduced and the arguments of counsel, and for the reasons explained, the court concludes that the cause of action alleged in the adversary complaint was not within Challas' fair contemplation at the time that Goetz's plan of reorganization was confirmed and, therefore, was not discharged.

FACTS

Challas and Goetz are long-time acquaintances as a result of commercial real estate activities in Los Altos, California. Jane Challas, John's wife, is a shareholder of 4920 Corporation ("4920"), a company that owns a building located at 4920 El Camino Real in Los Altos. From time to time, Challas has been an agent for the property. The Goetz family, and later Goetz himself, owned a nearby building located at 4906 El Camino Real. The business connection between Challas and Goetz developed into something of a friendship among the two men and their wives. However, Challas testified that the relationship deteriorated significantly when Challas agreed to serve as a witness against Goetz in a 2001 state court action. In that action, members of the Goetz Family Trust accused Goetz of fraud and other breaches of fiduciary duty arising out of Goetz's purchase of the 4906 building from his father, shortly before his father's death. Challas indicated that the friendship ended in 2002 when Goetz sent Challas an email concerning Challas' use of Goetz's Chevy Suburban. The details surrounding the email were not offered into evidence.

Beginning in 2000, a law firm known as Reynolds, Casas & Riley, LLP became a tenant at 4920, El Camino Real, and Challas hired Goetz's wife, Diana, to decorate the firm's suite. The landlordtenant relationship, however, was contentious. By May 2003, 4920 had initiated a state court unlawful detainer action to evict RC&R from the premises. A few months later, in August 2003, RC&R filed a separate state court action against 4920 asserting various tort and breach of contract claims ("RC&R action"). The RC&R complaint alleges, in part, that Challas, along with several other defendants, conspired to and did enter RC&R's office suite on June 16, 2002 with a hidden purpose of stealing RC&R's copy of its office lease, altering the copy to reflect higher rates of rent than RC&R had agreed to pay, and destroying the original lease. The complaint further alleges that 4920's unlawful detainer

action was premised on the wrongfully altered lease. The allegations regarding Challas and the alteration of the lease are on information and belief. The attorney who drafted the complaint, Samuel Goldstein, testified that before the complaint was filed, Sheila Riley, a principal of RC&R, had advised him that, nearly a year earlier, she had had a conversation with Goetz in which Goetz told her that Challas had bragged to Goetz about entering into the RC&R offices and removing documents. Goldstein noted, however, that Riley had instructed him not to identify Goetz as the source of the information.

Early in the RC&R action, the state court stayed discovery, and 4920 did not serve its first set of interrogatories on RC&R until February 2006. One of those interrogatories asked RC&R to identify all individuals who: a) witnessed the alleged June 16, 2002 trespass into RC&R or the events occurring immediately before or after the incident; b) made a statement at the scene of the alleged trespass into RC&R; c) heard any statements made about the alleged trespass into RC&R by an individual at the scene; and d) may have knowledge of the alleged trespass into RC&R. Although RC&R was aware that Goetz claimed to have heard statements about the incident from Challas, RC&R did not specifically identify Goetz in response to subpart c) of the interrogatory. Instead, RC&R stated that it lacked sufficient information to respond. However, in response to subpart d), RC&R included Goetz and his wife in the middle of a list of approximately sixteen individuals or entities who might have knowledge of the incident.

On June 6, 2006, this court entered an order confirming the Goetz' chapter 11 plan of reorganization. Goetz and his wife had filed a chapter 11 petition eight months earlier, in October 2005, because the fraud and breach of fiduciary duty lawsuit filed by the Goetz Family Trust had resulted in a judgment against Goetz. The Goetz schedules listed Challas as a creditor holding an unsecured claim of \$75,000 related to "attorneys' fees."

Six weeks after confirmation, on July 26, 2006, Riley gave her deposition in the RC&R action. Challas was present for her testimony. Riley stated that back on August 22, 2002, she had telephoned Diana Goetz, the decorator for the RC&R office space, because Riley had just received a letter from 4920 indicating the RC&R owed 4920 money for things that the firm never heard about. Diana Goetz asked her husand to come to the phone and, when he did, Goetz told Riley that Challas had bragged to

Goetz about planning the June 16, 2002 incident at RC&R's office. Goetz told Riley that Challas was an evil man and that Challas had said that while he was in the office, he had copied papers from RC&R's lease file in order to "get" the law firm. Goetz stated that Challas had shown him some of the copies, but Goetz told Riley that he would deny ever speaking with Challas because he and John "had things on each other."

Both Challas and Chris Ashworth, an attorney that initially represented Challas in the both the unlawful detainer and the RC&R actions, testified at trial that they first learned that Goetz was the source of the information behind the trespass allegations in the RC&R action during or after Riley's deposition. Shortly after the Riley deposition, Challas contacted George Eshoo, his counsel in this adversary proceeding, and asked for legal assistance because Goetz was spreading lies about him. In mid-October 2006, Challas filed a state court slander action against Goetz. That complaint was removed to this court and serves as the basis of this adversary proceeding.

To counter Challas' evidence that he did not fairly contemplate a claim against Goetz until he heard Riley's deposition testimony, Goetz offered his own testimony and that of RC&R's state court attorney, Goldstein. Goetz testified that Challas often complained bitterly about RC&R's failure to pay rent and how he wanted to get the firm out of the 4920 building. Then, a few days after June 16, 2002, Goetz was sitting on his patio with his wife when Challas telephoned. When Goetz answered, Challas bragged that he had "solved his problem" with RC&R. Challas told Goetz that he, Challas, had gone into RC&R's office, removed some documents, and solved his problem. Challas denies that this telephone conversation ever took place and denies that he ever removed any documents from RC&R's office suite.

In addition to the filing of the complaint in the RC&R action, Goldstein testified that there were several occasions prior to June 2006 when Challas either knew of or should have fairly contemplated his slander action against Goetz. First, in July 2003, Goldstein deposed Challas as part of 4920's unlawful detainer action. At that deposition, Goldstein asked Challas pointed questions about whether Challas had ever told anyone that Challas had taken documents from RC&R's offices. Within the next few weeks, Goldstein had a conversation with Ashworth where Ashworth specifically asked whether it was Goetz that had said that Challas was talking about the June 16, 2002 incident. Although

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Goldstein told Ashworth that he could not respond, Goldstein believes the conversation demonstrates that Challas knew that Goetz was the source of the information. Goldstein recalls that he surprised that Ashworth named Goetz because Riley had instructed Goldstein to take care not to reveal Goetz as the source of the information. Goldstein assumed that Ashworth must have learned Goetz's identity directly from Challas.

Goldstein further stated that RC&R's March 2006 answers to 4920's interrogatories should have put Challas on notice that Goetz was the source of the allegations that Challas had taken documents from RC&R. The responses identified Mr. and Mrs. Goetz as individuals who might have knowledge of the June 16, 2002 incident, and their names should have stood out because they were the only individuals identified that were not related to RC&R, 4920 or the local authorities. Then, sometime in June 2006, RC&R responded to additional special interrogatories that 4920 had propounded. Goldstein recalls that those interrogatories referred more explicitly to Goetz as the source of the allegations regarding Challas and the June 16, 2002 incident. The actual responses, however, were not offered into evidence, and it is not known whether those responses were served before confirmation on June 6, 2006.

DISCUSSION

Under § 1141(d), confirmation of a chapter 11 plan discharges the debtor from any debt or claim that arose before the date of confirmation. The Ninth Circuit uses the "fair contemplation" test to determine when a claim arises. See In re Cool Fuel, Inc., 210 F.3d 999 (9th Cir. 2000)(tax claims): Corman v. Morgan (In re Morgan), 197 B.R. 892 (N.D. Cal. 19960(fraud prevention), aff'd, 131 F.3d 147 (9th Cir. 1997); In re Jensen, 995 F.2d 925 (9th Cir. 1993) (environmental clean-up under CERCLA). Under this test, the court must consider whether Challas had a fair basis for contemplating that he might have a claim against the debtor prior to the confirmation of the debtor's plan. *Morgan*, 197 B.R. at 899. If yes, the claim is discharged by the confirmation, but if not, the claim is not discharged.

Consistent with the goal of providing debtors with a fresh start, the Bankruptcy Code broadly defines the term "claim" to include any right to payment from the debtor, regardless of whether that right is liquidated, contingent, matured or disputed.. See 11 U.S.C. § 101(5). Thus, a claim can arise before actual injury occurs or before all the jurisdictional prerequisites to bringing the claim are satisfied. Nevertheless, in choosing the fair contemplation test, the Ninth Circuit rejected the notion that claims

can be discharged before a creditor knows or should know that it has rights against the debtor. *Jensen*, 995 F.2d at 931-32; *In re Conseco Life Insurance Co. Cost of Insur. Litigation*, 2005 WL 2203150, at *8 (N.D. Cal. Apr. 13, 2005). As a result, a claim will not be discharged unless, prior to confirmation, the creditor had real or constructive notice of all the facts needed to reasonably anticipate a potential claim against the debtor.

Here, Challas testified that he had no reason to believe Goetz had slandered him until he heard Riley's deposition testimony in July 2006, about six weeks after Goetz's plan of reorganization was confirmed. To counter this prima facie showing, Goetz must demonstrate that the existence of facts and circumstances from which Challas should have fairly contemplated that he had a potential slander claim against Goetz prior to June 6, 2006.

I. The Allegations of RC&R's 2003 Complaint Were Insufficient to Make Challas Fairly Contemplate a Slander Action Against Goetz.

Although Challas was named as a defendant in the RC&R action, the allegations that Challas conspired with other individuals to break into the law firm and remove documents were all on "information and belief." Further, the complaint contained no facts establishing the basis of that information and belief. As a result, there was nothing in RC&R's complaint to suggest that Goetz might have been the source of any allegations, much less that he had allegedly slandered Goetz by telling other people that Challas had admitted that he was involved in the break-in. Significantly, Goldstein testified to the contrary. From the outset, he had been specifically instructed to protect Goetz's identity from discovery. Thus, it appears that the complaint was carefully drafted to avoid identifying Goetz. Finally, with discovery stayed, Challas was denied all opportunity to investigate the source of the allegations until the stay was lifted. Under these facts, it cannot be said that the mere existence of RC&R's lawsuit reasonably put Challas on notice of a slander action against Goetz.

II. The March 2006 Responses to Interrogatories Were Not Sufficient to Cause Challas to Fairly Contemplate a Slander Action Against Goetz.

As noted above, from the beginning of the RC&R action, Goldstein was operating under instructions to avoid revealing Goetz's identity. His effort to comply with his client's instructions is

evident from his carefully crafted response to 4920's first set of interrogatories. He avoided identifying Goetz as someone who had heard statements from any other person who had been at the scene of the June 16, 2002 incident. Rather, he more ambiguously identified Mr. and Mrs. Goetz, together, as people that might have some knowledge of the June 16, 2002 incident. This response certainly creates no specific impression that Goetz had been spreading slanderous statements about Challas.

Additionally, the court is not persuaded that the inclusion of Mr. and Mrs. Goetz's names should have stood out to Challas and, as a result, put him on notice to inquire further. First, there is no evidence that Challas himself ever saw the discovery responses. After receiving RC&R's complaint, Challas hired attorneys and left the handling of the RC&R action in his attorneys hands. Challas testified that he had no idea what his attorney sent out as discovery, and he has no recollection of any particular conversation with his counsel regarding discovery. Challas does not recall going over RC&R's interrogatory response that identifies Goetz as a person that might have knowledge, and he had no conversations with his attorney regarding any specific person as the perpetrator of the allegations surrounding the June 16, 2002 incident. There is also no reason to believe that including both Mr. and Mrs. Goetz in the interrogatory responses would have stood out to Challas'attorneys. Ashworth testified that he believed he had heard of Goetz because Goetz had some kind of management role related to 4920. This suggests that Ashworth would not have considered the inclusion of the Goetz name as unusual. Further, there is no evidence indicating that Margaret Schneck, who replaced Ashworth as Challas' counsel, would have identified the Goetz name as unusual.

III. Goetz's Testimony That Challas Discussed the June 16, 2002 Incident With Goetz Is Not Credible.

At trial, Goetz asserted for the first time that Challas should have fairly contemplated a potential slander action against Goetz as early as June 2002 when Challas allegedly told Goetz that he had removed and altered documents located in RC&R's office suite. Goetz reasons that once Challas revealed such stunning information, Challas should have fairly contemplated that Goetz would repeat the information to others. Because truth is a defense to slander, the court expects that whether or not Challas actually made admissions to Goetz will be hotly disputed at any trial on the merits of this slander action.

However, in determining whether the matter can proceed to trial, the court concludes that it is enough that Goetz's credibility regarding the alleged admissions is highly doubtful. Near the time of the June 2002 incident, Goetz was questioned by the local police investigating the incident. The police specifically asked Goetz if Challas had told Goetz that Challas was involved in the break-in, but Goetz denied that any such conversation with Challas had ever taken place. Goetz contends that he lied to the police but now has testified truthfully about his conversation with Challas on the witness stand. The court does not know yet whether Goetz lied to the police or lied in court, but Goetz's willingness to lie to authorities has substantially damaged his credibility. It is also significant that questions regarding Goetz's honesty stretch beyond this adversary proceeding. The precipitating event for the Goetz's chapter 11 case was the entry of a judgment for fraud and breach of fiduciary duty against Goetz in the lawsuit filed by other members of his family. Finally, it is questionable that, in June 2002, Challas would have trusted Goetz enough to make the alleged admissions to him. By that time, the friendship between Goetz and Challas was ending, and Challas had agreed to be a witness against Goetz in the fraud action against Goetz.

In light of all of these factors, the court concludes that evidence offered to date is too doubtful to overcome Challas' denial that the conversation with Goetz ever took place and his affirmative testimony that he first learned of Goetz's slanderous statements in July 2006. As a result, the record does not adequately demonstrate that Challas fairly contemplated the potential for a slander action against Goetz prior to the June 2006 confirmation of Goetz's plan of reorganization. What additional evidence can be offered at a trial on the merits remains to be seen.

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CONCLUSION

Based on the foregoing, the court concludes that the cause of action for slander alleged in the adversary complaint was not within Challas' fair contemplation at the time the plan of reorganization was confirmed. As a result, the cause of action was not discharged upon confirmation.

Good cause appearing, IT IS SO ORDERED.

**** END OF ORDER ****

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Adv. P. 06-5197

UNITED STATES BANKRUPTCY COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

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UNITED STATES BANKRUPTCY COURT NORTHERN DISTRICT OF CALIFORNIA

6364

In re: Stephen J.R. Goetz

And Diana Goetz,

Debtors.

Debtors.

John Challas,

Adv. Pro. No:06-5197

Plaintiff, Vs.

Steven Goetz, et.al.,)
)
Defendants. /

STATEMENT OF ISSUES AND DESIGNATION OF THE RECORD

Debtor-Defendant and Appellant Stephen Goetz hereby

submits his Statement of Issues and Designation of the Record on Appeal.

STATEMENT OF ISSUES

Did the Court misinterpret or misapply the "fair contemplation" test?

Did the Court use an incorrect legal standard with respect to ruling on cross motions for summary judgment?

DESIGNATION OF THE RECORD

The record on this appeal consists of:

1	Item NO.	Description	Date Filed	Dkt. NO.
2	1	Docket Sheet	n/a	n/a
3	2	Notice of Removal	11/2/2006	1
4	3	Motion to Dismiss	11/22/2006	3
5	4	Notice of Hearing	12/11/2006	4
6	5	Response	2/2/2007	8
7	6	Reply including		
8		Attached Declaration	3/1/2007	9
9	7	Objections	3/30/2007	10
10	8	Declaration	3/30/2007	11
11	9	Declaration	4/4/2007	12
12	10	Transcript	5/15/2007	14
13	11	Request to Take Judicial		
14		Notice	7/13/2007	18
15	12	Additional Request	7/13/2007	19
16	13	Chronology	7/13/2007	20
17	14	Transcript	10/3/2007	21
18	15	Memorandum Decision	10/19/2007	22
19	16	Trial Exhibits 1-4	n/a	n/a
20	17	Notice of Appeal	11/2/2007	24
21				
22	Dated: 1	1/1/2007		
23		/s/Steper	nn Goetz	
24				
25				

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 6
                     NORTHERN DISTRICT OF CALIFORNIA
7
 8
                                 ) Chapter 11
    In re: Stephen J.R. Goetz
   And Diana Goetz,
10
                                 ) Case No.: 05-57623 MM
11
                    Debtors.
12
    John Challas,
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                                  Adv. Pro. No: 06-5197
                   Plaintiff,
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    ۷s.
15
        Steven Goetz, et.al.,
16
                    Defendants. /
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                   CERTIFICATE OF SERVICE BY U.S. MAIL
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I declare that I am employed in the county of Santa Clara, California; I am over the age of eighteen years and not a party to the within action; my business address is 300 S. First St, Suite 215, San Jose, California 95113.

On November 1, 2007, I served by U.S. Mail the foregoing:

Notice of Appeal and Statement of Issues and Designation of the Record

Case 5:07-cv-06364-RMW

Document 1

Filed 12/17/2007

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Exhibits, APPEAL

U.S. Bankruptcy Court Northern District of California (San Jose) Adversary Proceeding #: 06-05197

Assigned to: Judge Marilyn Morgan

Date Filed: 11/02/06

Related BK Case: 05-57623

Related BK Title: Stephen John Robert Goetz and Diana

Patricia Goetz

Related BK Chapter: 11

Demand: Nature[s] of

01 Determination of removed claim or

Suit:

cause

6364

Plaintiff

John Challas

190 Mt. Hamilton Los Altos, CA 94022

()

SSN: xxx-xx-7924

represented by Daniel D. McGee

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Document 1

Filed 12/17/2007

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(916) 283-8820 LEAD ATTORNEY

V.

Defendant

Steven Goetz 13725 Robleda Rd. Los Altos, CA 94022 represented by Stanley A. Zlotoff
(See above for address)

Filing Date	#	Docket Text
11/02/2006	9 <u>1</u>	Adversary case 06-05197. 01 (Determination of removed claim or cause). Notice of Removal by John D. Challas . Fee Amount \$250 . (tp,) (Entered: 11/02/2006)
11/02/2006		Receipt of Adversary Filing Fee. Amount 250.00 from Stephen Goetz. Receipt Number 50064859. (tp) (Entered: 11/02/2006)
11/06/2006	9 <u>2</u>	Order for Telephonic Status Conference with Certificate of Service Status Conference to be held on 2/6/2007 at 10:30 AM at SanJose Courtroom 3070 - Morgan. (cvc,) (Entered: 11/06/2006)
11/22/2006	9 <u>3</u>	Motion to Dismiss Adversary Proceeding Filed by Plaintiff John D. Challas. (Attachments: # 1 Memorandum of Points and Authorities) (Zlotoff, Stanley) (Entered: 11/22/2006)
12/11/2006	9 4	Notice of Hearing (RE: related document(s)3 Motion to Dismiss Adversary Proceeding filed by Plaintiff John D. Challas). Hearing scheduled for 1/12/2007 at 11:00 AM at SanJose Courtroom 3070 - Morgan. Filed by Defendant Steven Goetz. (Attachments: # 1 Certificate of Service) (Zlotoff, Stanley) (Entered: 12/11/2006)
01/04/2007	● <u>5</u>	Notice of Continued Hearing (RE: related document(s)3 Motion to Dismiss Adversary Proceeding filed by Plaintiff John D. Challas). Hearing to be held on 2/9/2007 at 11:00 AM SanJose Courtroom 3070 - Morgan for 3, Filed by Defendant Steven Goetz. (Attachments: # 1 Certificate of Service) (Zlotoff, Stanley) (Entered: 01/04/2007)
01/24/2007	⊕ <u>6</u>	Notice of Continued Hearing (RE: related document(s)3 Motion to Dismiss Adversary Proceeding filed by Plaintiff John D. Challas). Hearing to be held on 3/9/2007 at 11:00 AM SanJose Courtroom 3070 - Morgan for 3, Filed by Defendant Steven Goetz. (Attachments: # 1 Certificate of Service) (Zlotoff, Stanley) (Entered: 01/24/2007)

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Filed 12/17/2007

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02/02/2007	⊕ <u>7</u>	Case Management Conference Statement . (RE: related document(s)2 Order for Telephonic Status Conference). Filed by Defendant Steven Goetz (Attachments: # 1 Certificate of Service) (Zlotoff, Stanley) (Entered: 02/02/2007)
02/02/2007	⊕ 8	Response to (RE: related document(s)3 Motion to Dismiss Adversary Proceeding). Filed by Plaintiff John D. Challas w/cos. (be,) (Entered: 02/05/2007)
02/06/2007	•	Hearing Continued (RE: related document(s)2 Order for Telephonic Status Conference with Certificate of Service Status Conference to be held on 4/10/2007 at 10:30 AM SanJose Courtroom 3070 - Morgan for 2. (mem,) (Entered: 02/06/2007)
03/01/2007	9 9	Reply to (RE: related document(s)3 Motion to Dismiss Adversary Proceeding). Filed by Defendant Steven Goetz (Attachments: # 1 Declaration of Samuel E. Goldstein# 2 Certificate of Service) (Zlotoff, Stanley) (Entered: 03/01/2007)
03/09/2007	•	Hearing Continued (RE: related document(s)3 Motion to Dismiss Adversary Proceeding Filed by Plaintiff John D. Challas. (Zlotoff, Stanley)). Hearing to be held on 4/9/2007 at 11:00 AM SanJose Courtroom 3070 - Morgan for 3. Telephonic CMC now set for 4/10/07 at 10:30 a.m. is continued to 6/12/07 at 10:30 a.m. (mem,) (Entered: 03/09/2007)
03/09/2007	•	Hearing Continued (RE: related document(s)2 Order for Telephonic Status Conference with Certificate of Service. Status Conference to be held on 6/12/2007 at 10:30 AM SanJose Courtroom 3070 - Morgan for 2, (mem,) (Entered: 03/09/2007)
03/30/2007	● <u>10</u>	Objections to Evidence Filed by Plaintiff John Challas w/cos (be,) (Entered: 04/02/2007)
03/30/2007	9 <u>11</u>	Declaration of Christopher Ashworth in Opposition of (RE: related document(s)3 Motion to Dismiss Adversary Proceeding). Filed by Plaintiff John Challas w/cos (be,) (Entered: 04/02/2007)
04/04/2007	3 <u>12</u>	Declaration of John Challas in Opposition to Motion to Dismiss by Defendant Steven Goetz (NOT FILED) Filed by Plaintiff John Challas (be,) (Entered: 04/05/2007)
04/09/2007	• 13	Hearing Held (RE: related document(s)3 Motion to Dismiss Adversary Proceeding Filed by Plaintiff John D. Challas. (Attachments: # (1) Memorandum of Points and Authorities) (Zlotoff, Stanley)). Motion to dismiss to be treated as a Motion for Summary Judgment. To be set for an

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·		evidentiary hearing, time estimate 2 hrs. Issue: fair contemplation test. Counsel to contact their witnesses. Contact the Courtroom Deputy to schedule a hearing date. (mem,) (Entered: 05/11/2007)
05/15/2007	● <u>14</u>	Transcript, Date of Hearing: April 9, 2007 defendant's motion. (Palmer, Susan) (Entered: 05/15/2007)
06/12/2007	•	Hearing Continued (RE: related document(s)2 Order for Telephonic Status Conference with Certificate of Service. Status Conference to be held on 8/7/2007 at 10:30 AM SanJose Courtroom 3070 - Morgan for 2. (mem,) (Entered: 06/14/2007)
06/29/2007	•	Evidentiary Hearing Set On (RE: related document(s)3 Motion to Dismiss Adversary Proceeding filed by Plaintiff John Challas). Hearing scheduled for 7/13/2007 at 01:30 PM at SanJose Courtroom 3070 - Morgan. (time estimate - 2 hrs) (mem,) (Entered: 06/29/2007)
06/29/2007	● <u>15</u>	Notice of Hearing (RE: related document(s)3 Motion to Dismiss Adversary Proceeding filed by Defendant Steven Goetz). Hearing scheduled for 7/13/2007 at 01:30 PM at SanJose Courtroom 3070 - Morgan. Filed by Plaintiff John Challas . (be,) (Entered: 06/29/2007)
07/02/2007	● <u>17</u>	Document: Association of Counsel. Filed by Plaintiff John Challas. (er,) (Entered: 07/09/2007)
07/05/2007	9 16	Document: Association of Counsel . Filed by Plaintiff John Challas , Wendy Vierra, Daniel D. McGee (aw,) (Entered: 07/06/2007)
07/13/2007	● <u>18</u>	Request To Take Judicial Notice. Filed by Plaintiff John Challas (Attachments: # 1 Exhibit 1# 2 Exhibit 2# 3 Exhibit 3# 4 Exhibit 4# 5 Exhibit 5# 6 Exhibit 6) (be,) (Entered: 07/16/2007)
07/13/2007	⊉ <u>19</u>	Additional Request To Take Judicial Notice. Filed by Plaintiff John Challas (Attachments: # 1 Exhibit 7# 2 Exhibit 8) (be,) Modified on 7/16/2007 COURT ADDED DOCKET TEXT TO MATCH PDF OF DOCUMENT. (be,). (Entered: 07/16/2007)
07/13/2007	2 20	Chronology. Filed by Plaintiff John Challas (be,) (Entered: 07/16/2007)
07/13/2007	Q	Evidentiary Hearing Held (RE: related document(s)3 Motion to Dismiss Adversary Proceeding Filed by Plaintiff John D. Challas. (Zlotoff, Stanley)). Testimony and evidence presented, trial is concluded. Matter is under submission. (mem,) (Entered: 07/24/2007)
08/07/2007	•	Hearing Continued Prior to Hearing by the Court (RE: related document(s)2 Order for Telephonic Status Conference). Status Conference

ve Database - Docket	Report	https://ecf.canb.circ9.dcn/cgi-bin/DktRpt.pl?111468637583871-
	:07-cv-063	64-RMW Document 1 Filed 12/17/2007 Page 32 of 32
		to be held on 11/6/2007 at 10:30 AM SanJose Courtroom 3070 - Morgan for 2 (mem,) (Entered: 10/31/2007)
10/03/2007	2 21	Transcript, Date of Hearing: July 13, 2007 evidentiary hearing on motion to dismiss adversary proceeding. (Palmer, Susan) (Entered: 10/03/2007)
10/19/2007	⊙ <u>22</u>	Memorandum Decision Following Evidentiary Hearing (RE: related document(s)1 Notice of Removal filed by Plaintiff John Challas). (be,) (Entered: 10/22/2007)
10/24/2007	⊕ <u>23</u>	BNC Certificate of Mailing - Electronic Order (RE: related document(s)22 Memorandum Decision). Service Date 10/24/2007. (Admin.) (Entered: 10/24/2007)
11/01/2007	3 <u>24</u>	Notice of Appeal to BAP, Fee Amount \$ 255 Appellant Designation due by 11/13/2007. Transmission to BAP due by 11/5/2007. Filed by Defendant Steven Goetz (Zlotoff, Stanley) (Entered: 11/01/2007)
11/01/2007	● 25	Appellant Designation of Contents For Inclusion in Record On Appeal (RE: related document(s)24 Notice of Appeal filed by Defendant Steven Goetz). Appellee designation due by 11/13/2007. (Attachments: # 1 Certificate of Service) Filed by Defendant Steven Goetz (Zlotoff, Stanley) Modified on 11/2/2007 ERROR: ADDITIONAL DOCKET EVENT SHOULD HAVE BEEN SELECTED. (be,). (Entered: 11/01/2007)
11/01/2007		Receipt of filing fee for Notice of Appeal(06-05197) [appeal,ntcapl] (255.00). Receipt number 4787033, amount \$255.00 (U.S. Treasury) (Entered: 11/01/2007)
11/02/2007	2 <u>26</u>	Case Management Conference Statement (RE: related document(s)2 Order

for Telephonic Status Conference). Filed by Defendant Steven Goetz (Attachments: #1 Certificate of Service) (Zlotoff, Stanley) Modified on

11/5/2007 CORRECTIVE ENTRY: COURT ADDED LINK TO

DOCUMENT #2.(be,). (Entered: 11/02/2007)